

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 376 - HB 1000

February 24, 2021

SUMMARY OF BILL: Decreases, from 25 to 20 students, the maximum class size for grades kindergarten through three (K-3). Decreases, from 20 to 15 students, the average classroom size for grades K-3 in schools where 50 percent or more third grade students were not reading on grade level in the previous school year, as determined by the Department of Education (DOE). Requires the Basic Education Program (BEP) to fund one full-time classroom teaching position for each 15 students enrolled in grades K-3 and each local education agency (LEA) to use such increased funding to employ additional K-3 teachers in schools where 50 percent or more of third grade students were not reading on grade level in the previous school year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$170,121,400/FY21-22 and Subsequent Years

Increase Local Expenditures - \$318,800/FY21-22 and Subsequent Years*

Other Fiscal Impact – Reducing the average class size for grades K-3 may result in the need for increased capacity at some schools, which may increase local expenditures. However, due to multiple unknown factors the precise increase in mandatory local expenditures cannot be determined.

Assumptions:

- It is estimated that in 81.9 percent of schools with grades K-3, 50 percent or more third grade students are not reading on grade level based on the third grade English Language Arts (ELA) assessment.
- While the number of applicable schools will vary year to year, based on FY20-21 BEP funding levels, changing the K-3 funding ratio for classroom teachers from 1:20 to 1:15 will result in an increase in state share BEP funding of approximately \$170,121,362 in FY21-22 and subsequent years.
- The increase in BEP funding will increase the minimum required local match by an estimated \$202,109,000 for districts receiving an increase in BEP funding as a result of this bill.
- Most districts are already contributing local funds in excess of the minimum required local match; however, it is estimated that four districts would need to increase their local contribution in order to meet the increased required local match.

- The total mandatory recurring increase in local expenditures for such districts is estimated to be \$318,825 in FY21-22 and subsequent years.
- Future legislation which alters the BEP funding formula may result in local governments utilizing current excess local contributions to fund the minimum local match requirement and a combination of multiple such legislation may result in mandatory increases in local match requirements for certain school districts.
- Lowering the average class size from 20 to 15 students may require some districts to find space for additional classrooms; however, due to multiple unknown variables such as the precise number of schools that would have to add capacity, how many such school would opt to increase current capacity, and the extent of expenditures required to accomplish increased capacity, a precise mandatory increase in local expenditures cannot be accurately determined.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

/ah